433 **48. Industry.** Naturally, the industry of Bulgaria is still in its budding state. Its development, however, is not artificial, but is determined by the vital needs of the country. Here are some figures (production and solded goods in millions of leva):

	1937	*1938*	*1939*
Mines:			
Number of men-days	2,165.230	2.564.321	2.805.502
Production	495.107	573.086	648.318
Manifacture of raw materials:			
Number of men-days	21.885.257	22.188.657	21.862.592
Goods sold	10.400.032	11.045.943	11.197.577
of which:			
Ceramics:			
Numer of men-days	1.218.806	1.317.019	1.440.678
Produstion	391.138	414.820	490.986
Textile production:			
Number of men-days	7.664.945	7.612.326	7.993.641
Producfion	2.987.025	2.985.840	3.318.399
Food production:			
Number of men-days	8.936.974	8.689.685	7.754.672
Production	4.439.485	4.878.315	5.127.181
Electricity.			
Number of men-days	353.469	390.423	424.853
Production	405.863	430.259	477.760
Furs, hides, skin industry:			
Number of men-days	313.336	320.908	347.673
Production	351.124	296.552	351.138

Coal mining for 1939:		
State mines	metr. tons	1.731.000
Private mines	" "	492.000
Distributton of coal:		
For domestic purposes (heating)		35 %
" industrial "		33 %
" the railroads		32 %

466 **49. Labour Force of Bulgaria.** The wealth of Bulgaria is the labour of her people. Bulgaria was the first country in Europe to introduce labour conscription. Now it is adopted in almost all European countries. Compulsory labour has much to do with the technical advancement of Bulgaria in recent years:

Year	*Labour conscripts*
1929	16.320
1938	24.309

728
175

sections of the projected international railway which was to traverse Bulgarian territory, an onerous liability for a young State, since such a railway was of little importance to local traffic, and further, it was constrained owing to its political vassalage to maintain a uniform custom tariff with that of Turkey and was thereby debarred from increasing its revenue. The country having been maintained in a most backward condition while under Turkish rule, had to create of a piece a complete administration, organise an army, construct a net-work of roads and railways, build ports, and improvise a minimum of equipment of which it was entirely deficient, possessing few roads and only one railway of international, but of little local importance, namely that between Rustchuk and Varna, of a total length of 224 klm. belonging to an English company and which the Bulgarian government was obliged to buy out a few years later. Towns and villages which had been destroyed during the Russo-Turkish war of 1877 and the insurrection which preceded it had to be rebuilt, and even the bulk of the land which belonged to Turkish landlords had to be purchased by the Bulgarian peasantry before the latter could be installed as owners in the fields they cultivated.

• 433
175

Bulgaria being a pre-eminently agricultural country, with practically no other revenues save such taxation as could be raised from her industrious peasantry was thus faced with the Herculean task of providing out of her meagre means the indispensable equipment of a modern State, and it speaks volumes to the credit of her people that so much should have been achieved within so brief a time, all the more so since the country owing to its undeveloped and backward state had very few resources to draw on. Its main assets being the unflinching laboriousness and the extreme thriftiness of its peasantry.

454 of 1932) and in view of the difficult position the latter finds itself. it would not be an easy matter to find liquid funds to appease a panic should a run on the banks be experienced.

453 The great problem facing the banking institutions in Bulgaria is the providing of cheap long termed credits to the rural population so that it might be able to transform its methods of agricultural production. Until presently, the rates of interest charged to farmers by the Agricultural Bank were 8% to 10% and it is obvious that in the present circumstances it is impossible to expect that capital invested in agriculture would be profitably employed at such rates.

It is an imperative necessity to find means wherewith the rates of interest on advances to the peasants should be reduced to about half this figure, failing which there is little hope of securing an improvement in the economic conditions of the country. This is a matter which of course transcends the limited resources of Bulgaria and it would be well if an international institution took a hand in solving this problem on which hangs the future welfare of the country.

INDUSTRY

433 Bulgaria, like all the Near Eastern States has indulged in a policy of extreme industrialisation which has proved an excessively onerous burden to the community and which with the exception of a few directly interested individuals has brought no benefit whatsoever to the masses. The adoption of this policy is all the more regrettable since it has tended to widen the cleavage between the rural and the urban sections of the population, the former rightly claiming that the increase in the price of industrial articles which this policy involved tended to increase their

cost of living and therefore to handicap them in their efforts to lower their costs of production. 433 •

One of the reasons given for establishing native industries is that in case of war, a country would find itself less dependent on foreign supplies, but in the case of Bulgaria even this plea can not be maintained, for not only is Bulgaria disarmed and not likely to be drawn into a war by herself, but her industry is almost entirely dependent for its raw materials, and largely for its driving power (oil) on foreign supplies and would come to a standstill in case of war breaking out.

Naturally the extreme protectionism adopted by successive Bulgarian governments elicited very strong protests from the masses and these were voiced by their representatives in the Sobranye, but without avail, for most political groups did their utmost to further the interests of the industrialists who knew how to win over to their cause influential politicians. 433 651

A crushing indictment of this protectionist policy is contained in a most lucid and interesting booklet, written by T. P. Karatsorov in 1932, who has no difficulty in proving to the hilt his contention fortified by statistical data, that protectionism has had on Bulgarian economy ruinous consequences, and in his concluding remarks he adds that it has equally proved morally disastrous among governing circles. He cites in support the case of a prominent politician who in 1931 declared: "These parasitic industries are a terrible evil. Our industry is unduly favoured at the expense of our national economy", and who, on becoming a Cabinet Minister did not hesitate to affirm a month later: "Our industry is not yet sufficiently protected, the State must make further sacrifices for it." This complete *volte-face* being obviously due to the bribes which he received in the meantime while his former declaration may be assumed to have been an attempt to blackmail industrialists.

11: Logio S-4 (no date) 1936 EE1 Bulgaria EE1

433
651

The local industry enjoys on the whole a tariff protection of 100 % to over 200% against imported foreign goods. Raw materials utilised in the local industry were liable to an ad *valorem* duty of 3 %, increased to 8% in 1931 on their entry. The loss to the State accruing from applying this extremely reduced import duty, instead of the full tariff had gradually increased to as much as 450 million leva in 1929 and had surpassed 500 millions in 1930.

M. Karatsorov gives many examples of the parasitic industries which have been fostered in Bulgaria. The details relative to one will amply suffice to illustrate all and sundry. Thus five workshops were established to manufasture nails from imported steel wire. The total annual consumption of nails in Bulgaria is 5 to 6 million kg, the import duty 7 to 8 leva per kg., or about 150% of the cost of foreign nails f. o. b. a Bulgarian port. (about 4.50 leva per kg.) The price of the local article was, on an average above 10 leva a kg., so that the profit realised by the local makers was at least 120%. The number of workmen employed was 200 and the amount disbursed in salaries does not exceed 3 to 4 million leva a year. The State loses 30 million leva a year, through levying a duty of 8%, on wire, instead of a duty of 150% on 5 to 6 million kg. of nails, and except for the wages paid to the workmen all this sum of some 26 million leva, is divided among the owners of the 5 workshops, and is obviously provided out of the pockets of the population. This was so self-evident that deputy, I. Kurtev, intervened in the Sobranye on April 5, 1928 and demanded: "That this industry be withdrawn from the list of those which are being favoured", but in vain. An example of how a high tariff barrier encourages the building up of redundant manufacturing plant is furnished by the sheet-glass industry. The consumption of this article amounts to 80,000 cases a year. F. o. b. prices of Belgian glass were 260

leva per case, and the duty 600 leva per case. As the cost of erecting a glass factory was computed at 30 million leva, and the profit to be realised by the non-payment of duty on the locally manufactured sheet-glass was 48,000,000 leva (80,000 cases×600 leva) and would have permitted a profit of 150% to be made during the opening year, work on three different factories was begun in 1930. The creation of such industries, as M. Karatsorov shows, would even have an adverse influence on the country's balance of payments. Thus if 80,000 cases of sheet-glass were imported, currency to the amount of 20 million leva would be exported, while when the factories would begin operating, the owners being foreigners, the amount of currency which would be exported would be equal to the sum of 48 millions of profit made minus the local expenses of the factories. 433 ● 651

M. Karatsorov affirms that in most cases the creation of local industries has increased adversely the country's balance of payments, and he cites in support not only the above instance, but also that of the sugar industry and also the textile. Local textile weaving sheds often paying more for their imported yarn than what would have been paid if the corresponding woven fabric had been imported instead from a country the industry of which had been thoroughly modernised and was producing on a large scale like Japan.

The opinions of the above writer were often re-echoed and punctuated by such remarks as these in the Sobranye. "The law fostering industry has cost two milliard leva which the people had to find". (Dr I. Karadjov, March 26, 1926). "By purchasing materials and machinery abroad the loss to the national economy will be as great as if foreign goods were bought, and besides, protection will give free play to speculation". (G. Zivkov, April 3 1926). "The parasitic industries live on the back of the people, who

433
651

are robbed in order that 1200 to 2000 industrialists and their bankers may profit" (S. Petkov, May 12 1932). "The loss to the revenue through exempting from duty raw materials is 500 million leva a year; these privileges must be put a stop to" (G. Zeliabov, June 8, 1932).

This system of importing semi-manufactured materials practically free, in order to convert them into manufactured articles in Bulgaria, also led to grave abuses. Several unscrupulous manufacturers imported materials and often sold the greatest portion of them secretly. Thus S. Stefanov, subsequently Minister of Finance, declared in the Sobranye on Dec. 8 1927. "Big frauds are committed by pseudo-industrialists who dispose on the market of materials imported duty free for use in their factories. In big factories control is possible but the 800 workshops set up since the war are never inspected. A huge army of inspectors is needed to supervise 1100 industrial establishments and there are only 4 or 5 inspectors affected to this job." Another deputy, S. Boyadjiev, dwelt on the following day on the same abuses, cited instances, and then made the following just criticism: "The law grants to any seven persons the privilege to form a co-operative society. There are several persons who have thus grouped themselves together, and who import materials duty free for alleged industrial purposes, and then sell them secretly, undercutting honest traders who have paid the legal duty on their stuff." Another trenchant attack on protectionism was delivered by deputy K. Manolov on Dec. 15, 1927, who among other things stated: "Experts affirm that the subsidies granted to industry up to the present date amount to 4000 million leva. Is this justified? It should have cheapened the cost of living but the contrary has taken place and foreign articles, inspite of the duty, still compete with the locally manufactured ones. Our balance of payments has not improved, and

our industry is hardly any stronger. Even labour has not been advantaged. In 1909, a workman was paid two gold leva a day, equal to 54 paper leva, and to day he only receives 47 leva. We should not go on dissipating our vital forces in this way or we shall degenerate as a nation... The financial cartel which controls most industries enjoys the sympathies of government circles etc".

How the community was exploited in order that a few favoured individuals might amass wealth is also clearly described in the party organ of the Radical party in its issue of Feb 20 1931: "According to the information we possess the Granitoid Cement Manufacturing Co. Has realised for the year 1930 a profit of 180 million leva, a sum which considerably exceeds the capital invested in this concern. How are such profits possible at this time of crisis? This is quite plain. A ton of cement costs 500 to 600 leva, but the duty on it is 800 leva. Consequently foreign cement can not be sold on our market for less than 1450 leva a ton, and this has permitted the Granitoid to sell its locally made cement at about this figure, realising a premium of about 800 leva a ton. Is it not outright robbery to mulct people out of their savings in order that this company might make a profit of 145%, instead of contenting itself with a benefit of 12% to 15%? Cement is an article of prime necessity, both the State and the public buy large quantites of if. Until when will this criminal policy continue?"

These details seem fully to confirm M. V. Novicov's pronouncement on protection, namely: "Tout industriel protégé est un parasite. Et chose étrange, tandis qu'on considere le parasitisme comme un mal, les gouvernements considèrent jusqu'à présent le parasitisme provenant de la protection comme un bien... Un tarif protecteur, n'est autre chose que le gaspillage économique érigé en système de gouvernement. Il a la prétention

ticipation in profits. These figures are not likely to be far out since another deputy, M. Dotchev, stated on March 4 1932, that during the financial year 1928/9, over one milliard leva was remitted abroad as dividends and profits of the foreign capital invested in industrial and commercial enterprises in Bulgaria.

Some preliminary statistics have been published as to the state of industry in 1930/1, but most of these figures refer to those workshops which enjoy privileges extended to them by the law fostering industry, and are necessarily incomplete. These establishments numbered 1250, had a capital of 7500 million leva, used 115,000 H. P., employed 36,000 workmen (the total number of workpeople employed in all industries fluctuates round about 75,000) and had an annual output of 6850 million leva of manufactured goods. The principal branches of industry were:

	Number of establishments	Capital in million leva	H. P. employed	workpeople employed	% of local raw materials used
Textile	214	1390·8	19,197	14,641	13·6%
(In 1933:	231	some working with 2 & over 3 shifts		17,976)	
Food & drink . .	172		27,653	4579	
Metallurgical . . .	142	417·3	10,998	4084	14%
Ceramic	110	774	22,604	3382	48%
Chemical	117	397·8	6,707	2031	35%
Leather	52	162·3	4,721	778	18%
Timber	55		2,726	1643	
Paper	4	99·3	2,210	443	38%

There are two other important groups of industries not included in the above table, the tobacco manipulating and cigarette manufacturing in which some 20,000 workpeople are almost permanently employed and the milling industry. In the latter, a capital of 786.² million leva is invested. There are 307 flour mills, employing 2579 workpeople and possessing machinery developing 21,637 H. P. This was a thriving industry in the past as deputy

BULGARIA-PAST & PRESENT

•433 Neitsev remarked in the Sobranye on May 12, 1932, for Bulgarian flour was largely exported. 67 million kg. having been shipped in 1911 as against only 1,265,000 kg. in 1929. Actually ⅔ of the existing flour mills are redundant and can be bought at a quarter of their cost. This seems to be the case with most industries, for it was reported in 1933 that the mean output was only 45% of the normal.

316 433 There exists a scheme to develop anew copper mining in order that the 5 million kg. of copper sulfate needed annually for spraying the vines and which is obtained from Great Britain at a cost of 50 million leva may be produced locally. This plan may eventually materialise for the existing local copper mines produced as much as 31,310 tons in 1919 and the only product which would then be needed to import would be 700 to 800 tons of sulfuric acid at a cost of 5 million leva. Even this could be manufactured on the spot by utilising the local pyrites when the chemical industries are further developed.

The mineral resources of the country seem to be considerable, but they have not been properly exploited except in the case of the State-owned coal mine of Pernik the output of which reached 1,266,540 tons in 1934. There is a large lignite bed in the valley of the Maritsa, and recently it was reported that an extensive coal field had been discovered near Lom, on the Danube. The production of the mines in work during 1931, in tons was as follows:

Copper	Lead (1929)	Zinc (1929)	Mixed Zinc & Lead (1929)	Mixed Lead & Copper (1929)	Aluminium
900	3985	1925	11396	9923	1,382

Owing to the fall in prices most mines have closed. Salt is extracted from the saline marshes in the neighbourhood of Burgas, production varying from 35 (1932) to 19·5 (1933) million tons annually according to the state of the weather. Local requirements amount to about 60 million tons.

AGRICULTURE

The yield per hectare has been increased, thanks to the efforts of the State Agriculturists and those of the experimental stations. It is affirmed that for about ⅓ of the area sown to wheat selected seed has been utilised from certain new varieties of wheat from which as high a yield as 2650 kg. per hectare has been obtained at the experimental stations, but only 1675 to 1766 kg. when sown in the average farmsteads. This has contributed in raising the yield from about 1000 kg. per hectare during the pre-war period to 1157 kg. at the present time.

Though about ¾ of the cultivated land is devoted to cereals, 90% of the total output is absorbed locally, and only 10% is available for export in ordinary circumstances. Often, when the harvest is below the average there is little or nothing to export. The last international wheat Conference held in 1932 fixed Bulgaria's annual export quota of cereals at 2,500,000 quintals, or 236,000 tons, but in the export campaign of 1933/34, the quantity available for export did not reach this figure, and in the following season the cereals exported amounted to some 175,000 tons, so that it may be reckoned that Bulgaria has ceased counting as a grain exporting country. In fact the average Bulgarian farmstead does not produce sufficient grain for its own requirements, and it is only the larger ones, those of over 10 hectares, that have a surplus for disposal. This renders the majority of farmers unaffected by the fluctuation of prices since they consume their own produce, and strange as it seems, the fall in the prices of agricultural produce must on the whole be beneficial to them, since Prof. Y. Mollov, former Minister of Agriculture, affirms in the Annuaire of the Sofia University for 1933 (Agricultural Dept.) that the peasantry on the whole buy more than they sell. the proportion of their purchases to their sales being the following:

243
433

	Year 1929—30	Year 1930—1	Year 1931—2	Average
North Bulgaria	171,06%	146,01%	110.70%	142.59%
Sofia region	179.90%	158.43%	158.28%	165.53%
South Bulgaria	119.60%	125.60%	186.23%	143.81%

243
453

This of course has been possible owing to the credits which they have been able to raise from the Agricultural Bank, and to their not applying them to the specific purposes for which these loans were granted; the Agricultural Bank having extended to the rural population credits amounting on an average to 7360 leva per hectare for the smaller category of farmsteads. It must not be thought however that the peasantry has been living wastefully, and has run into debt owing to its being profligate. Very often in periods of drought the Agricultural Bank, under pressure from the State, has been compelled to come to the assistance of the peasantry and to supply them with seed and food, practically with no guarantee. This will largely explain the excessive advances which the Bank has made to the rural population, which, if it were not for this timely aid would have literally starved.

241
311

The source of the trouble is that the available land is unsufficient to support the population, and that if it be not provided with more land In order to increase its production up to its requirements, or if it be not assisted financially in order to modernise its methods of cultivation, and thus be able to raise a larger quantity of products on the land it actually possesses, there will be grave danger of a dislocation of the present social fabric

241
434

Prof. St. Tsolakov, a colleague of Prof. Dolinski, has published a most interesting essay in the 1934 Annuaire de l'Ecole des Hautes Etudes Commerciales, of Varna, on the position of the farmers in the Varna region, and on their indebtedness to the State. It is certainly representative of the whole country, and the study of the figures he supplies will convince any one that the problem

648, 665, 642, 433

Bulgaria EEl

[For the economic and political position of Bulgaria under Soviet control since the death of Stalin, see 85: Zinner, Rl Soviet Union, category 116, Pp. 157B-163B.]